

# JOHN MURTHA

STATE REPRESENTATIVE • 29<sup>th</sup> ASSEMBLY DISTRICT

**Testimony in-favor of Assembly Bill 87; relating to: expanding the number of tax incremental financing districts that may be designated as distressed or severely distressed. Sponsored by Representatives Murtha, Fields, Petrowski, Rivard, Brooks and Petryk; co-authored by Senators Harsdorf and Moulton.**

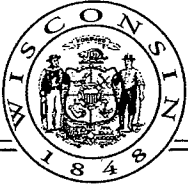
Chairwoman Kerkman and members of the Assembly Committee on Ways and Means, thank you for your consideration of Assembly Bill 87, I am pleased to speak with you today. Assembly Bill 87 will change current law and allow municipalities to have their tax incremental financing districts designated as distressed or severely distressed by the Department of Revenue. This bill will repeal the requirement that a tax incremental financing district must be in existence for at least seven years before its specific city of village may adopt a resolution designating the district as distressed.

Senator Harsdorf and I have a community within our districts that meets this need. The City of New Richmond has a relatively new TID that should be deemed distressed. The city feels that the costs incurred on the TID far exceed the revenues the city expects to generate during the life of the TID. This has occurred due to slowed economic development within the City of New Richmond and the collapse of the real estate values that have negatively impacted the TID itself. The City of New Richmond is seeking this relief to keep from shifting these unexpected costs onto the city budget, which would in time be passed to property tax payers.

Because this current economic downturn and decline in real estate values has impacted our entire state in one way or another, it is safe to say that other TID's throughout Wisconsin will experience the same adversity and will need to be deemed distressed or severely distressed some time during their existence. This bill will help prepare our state for pending requests and prevent communities from having severe budget shortfalls down the road.

Again, I want to thank Chairwoman Kerkman and all of the members of the Assembly Ways and Means Committee for your time and consideration in this matter. I will take any questions you may have at this time. Thank you.

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## State Senator Sheila Harsdorf

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Date: June 2, 2011

To: Assembly Committee on Ways and Means

Fr: Senator Sheila Harsdorf

Re: Assembly Bill 87 – Distressed tax incremental financing district changes

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Chair Kerkman and Committee Members,

Thank you for holding a hearing on Assembly Bill 87, which seeks to make changes to current laws relating to designating tax incremental financing districts as distressed.

As you know, due to the impact of the downturn in the real estate market, the State Legislature approved legislation last session to allow the creation of distressed TIDs, which was enacted as 2009 Wisconsin Act 310. Act 310 allows municipalities to extend the lifespan of a TID if it meets certain criteria, including a requirement that the TID has declined at least 25% in value.

The change proposed in AB 87 was brought to my attention by local elected officials in my district. Under the current distressed TID law, a TID must have been in existence for at least seven years prior to being designated distressed by a municipality. This requirement prevents municipalities that created a TID in the years directly preceding the significant reductions in real estate values from utilizing this tool.

AB 87 would repeal the requirement that a TID must have been in existence for at least seven years before being designated as a distressed TID. Extending the lifespan of these TIDs will keep costs from being shifted onto a municipality's operating budget and provide additional time for the TID to recover its value.

AB 87's companion bill, Senate Bill 55, has been approved by the Senate Committee on Economic Development and Military Affairs on a 7-0 vote. An amendment to SB 55 was also approved to extend the sunset date from October 1, 2011 to October 1, 2015 for municipalities to designate a TID as distressed. This change will give municipalities the flexibility to delay designating a TID as distressed and to allow market conditions to develop prior to requiring a decision.

I would encourage the Committee to support this legislation as a means to provide relief to property taxpayers and municipal budgets as communities address ongoing challenges in real estate values.



122 W. Washington Avenue  
Suite 300  
Madison, Wisconsin 53703-2715

608/267-2380  
800/991-5502  
Fax: 608/267-0645

E-mail: [league@lwm-info.org](mailto:league@lwm-info.org)  
[www.lwm-info.org](http://www.lwm-info.org)

To: Assembly Committee on Ways and Means  
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities  
Date: June 2, 2011  
Re: AB 87

The League of Wisconsin Municipalities supports AB 87/SB 55, modifying the distressed TID law so that any troubled TID created before October 1, 2008 and meeting certain specified conditions is eligible for being designated as distressed or severely distressed.

AB 87/SB 55 is a simple bill. It repeals a requirement that a tax incremental district must be in existence for at least seven years before a municipality may adopt a resolution designating the district as distressed. This unnecessary and arbitrary limitation was added to last session's distressed TIF bill by a Senate floor amendment after the Assembly had passed the bill and a Senate committee had unanimously recommended passage.

Another limitation on communities using the distressed TID law is a sunset provision making the law unavailable for municipalities to use after October 1, 2011.

Sen. Harsdorf (R-River Falls), the author of SB 55, offered an amendment to the bill that also addresses this second limitation by extending the sunset date to October 1, 2015. On May 31 the Senate Economic Development Committee unanimously recommended passage of SB 55 as amended.

We urge you to vote in support of AB 87/SB 55 as amended. Thanks for considering our comments.